Leveraging Small-Format Retail and Bulk Merchandising Trends

Presented by:
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Large vs. Small-Format Stores

**Large-Format Stores**
- Retail store with a large amount of floor space
- > 50,000 sq. feet
- Vast selection of product categories and skus
  - Case-Load delivery
- Typically located in suburban areas where real estate exists

**Small-Format Stores**
- Retail store with medium to small amount of floor space
- 10,000 - 25,000 sq. feet
- Specialty product or limited sku offering
  - Pharmaceutical, grocery, discount
  - Split-Case delivery
- Convenience vs. price
Drivers of Small-Format Growth

It’s all about **YOU** … the **CONSUMER**!

Urbanization

- 54% of the World’s Population Now Lives in Cities
- More People in Less Space

Convenience is King

- Made Fast, Easy and Free

Ecommerce Portfolio Growth

- The “Infinite Shelf”
- Access to Just About Anything

Real-Estate Constraints

- Supply & Cost

Upwards of 30% retail sales

Source: MODEX 2020 Innovation Conference 2019
Factors Driving Growth

1. Shortage of Labor
   • Pool to shrink 5.4% by 2030 (aging population)

2. Cost of Labor
   • 2018: Employment cost index up 3.0%
     • Labor typically accounts for 40% - 60% of warehouse/Dist ops
   • 2020: Min. Wage increase in 24 states.

3. Logistics Market
   • 2018: Intermodal up 28.7%
   • 2020: “steep grade to finally crest a hill”
What are the Pain Points?

- Secondary Packaging Waste
- Excessive Product Touches
- Delivery Driver Shortages
- Inefficient/Frequent Deliveries
- Re-Loading Outside Stores
- “Horizontally Cubed” Trailers
- Excess Inventory
- Inefficient Return Shipping
- Access/Maneuverability Issues

POWERED BY POSSIBILITIES.
Fulfillment Challenges

**Simplify Delivery**
- No trailer docks w/ 36” store door openings
- 48x40 pallet down-stack in trailer required:
  - Labor strain
  - Extend trailer dwell time

**Maximize Trailer Cube**
- Reduction in the # of cases per delivery
  - Pallet loads shorter, but same footprint - creating trailer cube loss and increased logistics costs

**Reduce Product Touches**
- Constraints for shelf-fulfillment – labor & equipment
  - Additional touches for sortation and repack into store cart extend stock-outs and increase shrink
Spectrum of Solutions

Small-Format Pallet

Delivery Carts

Mobile Pallets

Handheld Dollies

Bulk Merchandising

Material Handling Evolution
<table>
<thead>
<tr>
<th><strong>Small-Format Pallet</strong></th>
<th><strong>Handheld Dolly</strong></th>
<th><strong>Delivery Carts</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mixed loads (cases and totes)</td>
<td>• Single handheld sku’s only</td>
<td>• Mixed loads (cases and totes)</td>
</tr>
<tr>
<td>• High order size / high load capacity</td>
<td>• Cost effective for low order size / low load capacity</td>
<td>• High order size / high load capacity</td>
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<tr>
<td>• Requires MHE (21” fork spacing)</td>
<td>• No MHE requirement – faster unload times</td>
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</tr>
<tr>
<td>• <strong>Increased trailer density</strong></td>
<td>• Strapping needed for transportation</td>
<td>• <strong>Option for shelves = accessibility to each layer</strong></td>
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<tr>
<td>• Great space savings for backrooms</td>
<td>• Stackable for backroom space savings</td>
<td>• Collapsible designs needed for space savings – create added labor and pinch points</td>
</tr>
<tr>
<td>Mobile Pallets</td>
<td>Bulk Merchandising</td>
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<td><strong>Mobile Pallets</strong></td>
<td><strong>Bulk Merchandising</strong></td>
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<tr>
<td>- Mixed loads (cases and totes)</td>
<td>- Bulk loads (single sku’s)</td>
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<tr>
<td>- Mod order size / mod. load capacity</td>
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<tr>
<td>- Movement efficiency at warehouse (MHE) and store (mobile)</td>
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<tr>
<td>- Transportation stability</td>
<td>- Retail ready - Streamline product replenishment at store</td>
<td></td>
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Bulk Merchandising: Defined

Packaging of high volume product so that it is delivered to a retailer in packaging optimized for efficient stocking and sale.
Getting Started: Bulk Merchandising

- Choose the right product category
  - High volume / Limited sku's
  - Merchandising space
  - Time consuming
  - High shrink rate
- Retailer Buy-In
- Partner with the SME
- Understand full supply chain
Category Success: Bulk Milk

- Labor Savings
- On-Shelf Availability
- Shelf Utilization
- Backroom storage
- Trailer Utilization
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